STAFF REPORT

MEETING DATE:	**10/22/13**
SUBJECT:	**Consider Amending Executive Director Employment Agreement Regarding Compensation**
AGENDA ITEM:	**12**

STAFF RECOMMENDATION:

It is recommended that the board of directors consider amending the executive director employment agreement regarding compensation, and authorize the chair to sign an amended employment agreement.

DISCUSSION:

On July 1, 2012, SRTA became a stand-alone public agency. Over $100,000 in support services from non-agency staff (such as county personnel, payroll, facilities, information technology, accounting, management oversight) were shifted to SRTA. In response, the board of directors upgraded the duties and qualifications of three positions as follows:

1. Chief public works planner → SRTA Executive Director
2. Accountant/auditor III → chief fiscal officer - confidential
3. Administrative secretary II → executive assistant - confidential

Salaries were increased by 35% for the chief fiscal officer and 5% for the executive assistant.

In separate action last June, the board of directors approved a comprehensive set of wage increases, incentive pay and medical benefit reductions to address documented recruitment and retention issues. The wage increase applied to all SRTA positions, except the executive director.

The board of directors is now scheduled to consider executive director compensation in conjunction with an annual evaluation process. An ad-hoc Labor Subcommittee (Watkins, Baugh and Moty) has examined the executive director's compensation using the same methodology applied in June to determine wages for all other SRTA staff.

A Labor Subcommittee memorandum to the board of directors is attached. It provides baseline information and salary comparisons along with a methodology to arrive at appropriate executive director compensation. Labor Subcommittee discussions are ongoing with the final meeting scheduled on October 18 when they intend to develop and make available a final recommendation.

ALTERNATIVES:

The board of directors may approve the Labor Subcommittee recommendation, approve alternative compensation, or take no action at this time.

FINANCING:

As with other staff, any increase in the executive director's salary will result in the direct amount plus 20% in payroll taxes and benefits. The Labor Subcommittee memorandum includes additional information regarding cost, benefits, and the agency's financial health.

Daniel S. Little, AICP, Executive Director

Attachments: October 17, 2013, Labor Subcommittee Memorandum to SRTA Board of Directors
Executive Director Compensation Comparisons

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Daniel S. Little, Executive Director

DATE: October 17, 2013

TO: Shasta Regional Transportation Agency Board of Directors

FROM: Shasta Regional Transportation Agency Labor Subcommittee
SRTA Chair Greg Watkins
SRTA Vice-Chair Susie Baugh
SRTA Board of Director Leonard Moty

SUBJECT: Executive Director Compensation

The SRTA Executive Director has skillfully guided over $25 million in transportation investments annually, while also leveraging over $50 million in competitive transportation grants over his seven-year tenure. The executive director has led the creation of SRTA – a new, stand-alone public agency. SRTA support functions are more efficient while costs have been cut in half (down $55,000 annually). This was accomplished through the executive director's management of support functions previously managed by the county of Shasta. Most recently, he facilitated an employee retention and recruitment program aimed at ensuring the best staff and a high return on staff investment through added transportation dollars to the region.

With the larger goals of the agency now accomplished, the board of directors agreed to weigh executive director compensation as part of this year's executive director evaluation.

BACKGROUND: On July 1, 2012, SRTA was established as a new public agency. Over $100,000 in interdepartmental county support services were shifted to SRTA. These functions are now performed by SRTA at half the cost, primarily through upgrades to the duties and skills required of two SRTA positions: the executive director and the chief fiscal officer. The chief fiscal officer position upgrade was approved by the board of directors in December 2012 with a 35% increase in wages commensurate with new job requirements and responsibilities compared to the prior accounting position. Similar consideration for the executive director was deferred to focus on the new agency transition.

In a separate action, last June, the board of directors approved a comprehensive set of wage increases, incentive pay and medical benefit reductions to address documented recruitment and retention issues. Wage increases were as follows:

- 5% on July 1, 2013
- 5% on July 1, 2014
- 5% on July 1, 2015
- 5% after 10 years of service
- 0% to 5% annually for high performance

Cumulatively, this resulted in a potential wage increase for all staff of up to 28% (15% in base wages and 10% incentive pay – compounded). The new SRTA wages will now approach – and for some positions exceed – the average for comparable agencies. The wage increases did not apply to the executive director, who requested deferral until resolution was reached for all other staff.

It is fitting to review the executive director's compensation at this time for several reasons:

- ✓ The job duties, complexity, responsibilities, and required skills have grown considerably.
- ✓ Formation of a new agency is complete with operations running smoothly.
- ✓ Except for the executive director, all other appropriate positions (such as the chief fiscal officer) have been upgraded to take on new support needs previously met by the county.
- ✓ The added work placed upon the executive director has reduced annual operation costs by $55,000. Support functions are improved and more responsive to agency needs.
- ✓ Wage increases based on added duties and competitive wages have been approved for all SRTA staff except the executive director.

METHODOLOGY: In examining the executive director's compensation, the subcommittee is using the same methodology and agency comparisons used to grant wage increases for all other SRTA staff last June. The details of that prior methodology – and the reasoning behind it – are detailed in the memorandum we provided to the board of directors with the June staff report. The only thing that may bear repeating is that the comparable agencies we selected are among the lowest paying in the state. Comparisons are based on agencies of similar size, function and area cost of living.

FINDINGS:

Lowest Pay – The subcommittee found that the executive director's compensation is the lowest among all comparable agencies in California – more so than what was the case for subordinate staff. The attached tables and charts illustrate these differences. The comparisons are conservative in that several factors that would widen the gap are not considered. These are noted on the reverse side of the tables and charts.

Substantial New Duties – The lower executive director pay by SRTA is pronounced when compared to all other regions. This is due to several factors. When hired in 2006, the executive director was considered a mid-manager within the county of Shasta hierarchy. It was not considered on par with a typical executive director because the county provided most support functions and top-level management oversight. Today, the executive director has proven his ability to assume these duties and competently manage the agency. The agency has enjoyed a significant operational savings because of this. His salary should be aligned commensurate with the new job demands, as was done for SRTA's chief fiscal officer last November.

Non-Competitive – In addition, the executive director salary range is noncompetitive – essentially remaining unchanged for the seven years since his appointment. The board of directors addressed this for all other positions last June. Consistent consideration should be afforded the executive director.

Director/Subordinate Pay Separation – One final, but important, consideration for SRTA's top position is the amount of separation in salary levels from the closest subordinate position. In terms of experience, skills, risk, knowledge and responsibilities, promotions through the assistant, associate and senior planner series are not on par with the jump to executive director. SRTA's pay scale between the executive director and the closest subordinate position (senior planner and chief fiscal officer) should reflect this. The current pay separation is 7% (see attached chart). In fact, compensation for the senior planner and chief fiscal officer positions are on pace to surpass the executive director's if no action is taken. The comparable agency average for pay separation between the executive director and the closest subordinate position is 63%. The lowest separation for any agency is 43%. Separation of pay to distinguish the executive director is important to the overall health of the organization for several reasons. The executive director's leadership, energy, knowledge, and penchant to find funds are all vital. The executive director has autonomy that can make or break a smaller organization such as SRTA. Other agencies place a large premium on a proactive and effective executive director by setting high differential pay. Appropriate pay differential puts the agency in a position to recruit and retain the most qualified individual, not the most tenured.

RECOMMENDED APPROACH: The subcommittee, while mindful of all the above findings, decided to approach the executive director's salary consistent with how the board of directors has approached it for subordinate staff. This entails two steps as follows:

Step 1: Adjust the executive director's salary based on added demands now placed on the position while taking into account the resultant operational efficiencies and savings currently enjoyed by the agency. Such an approach is consistent with the board of directors' December 2012 action to upgrade the SRTA accounting position.

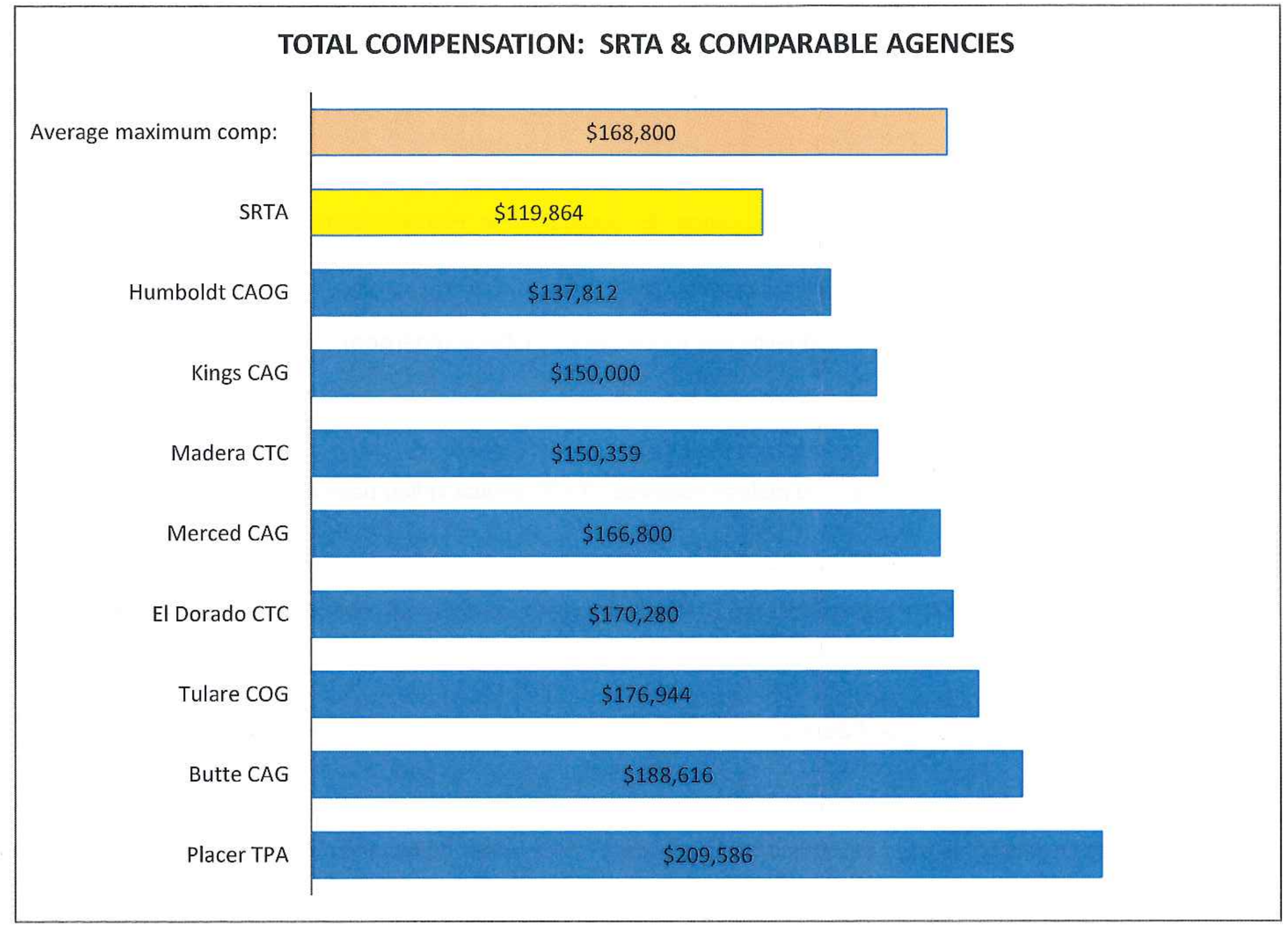
Step 2: Grant the same salary increases to the executive director that were granted to all subordinate staff this past June. (note that approved reductions in medical benefits would also apply.)

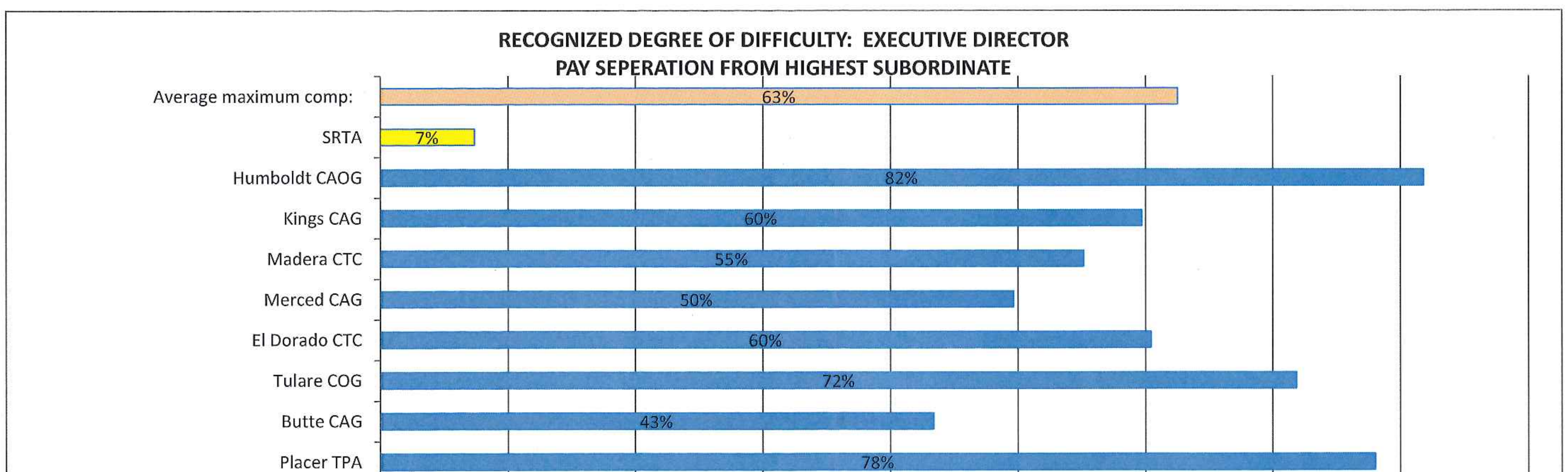
SRTA FINANCES: The agency has experienced a $55,000 annual savings in support costs, primarily attributable to the new duties assumed by the executive director. The $55,000 savings includes the cost to upgrade the chief fiscal officer position and SRTA costs for contracted support. SRTA operates with an annual surplus, free of unfunded liabilities, and with a three-year operating reserve.

NEXT STEPS: The Labor Subcommittee continues to sort out the finer details in order to apply the approach outlined in this report. The next meeting is scheduled on October 18, at which time we intend to prepare and make available our final recommendation.

EXECUTIVE DIRECTOR COMPENSATION COMPARISONS

Agency	# of Staff	Executive Director: Salary (max)	CalPERS or Alternative (Employer Paid Employee Share)	Employer Paid Medical (employee only)	Additional Employer Paid Medical if Full Family	Deferred Comp Match (457)	Total Max Comp. (excludes payroll taxes)	% Over SRTA
Placer TPA	7	$166,540	$ 11,658	$ 7,800	$ 12,480	$ 11,109	$ 209,586	75%
Butte CAG	11	$150,300	$ 10,521	$ 7,800	$ 12,480	$ 7,515	$ 188,616	57%
Tulare COG	18	$135,200	$ 9,464	$ 7,800	$ 12,480	$ 12,000	$ 176,944	48%
El Dorado CTC	6	$150,000	$ -	$ 7,800	$ 12,480	$ -	$ 170,280	42%
Merced CAG	19	$142,391	$ -	$ 7,800	$ 12,480	$ 4,129	$ 166,800	39%
Madera CTC	7	$126,413	$ -	$ 7,800	$ 12,480	$ 3,666	$ 150,359	25%
Kings CAG	5	$112,625	$ 4,505	$ 7,800	$ 12,480	$ 2,500	$ 150,000	25%
Humboldt CAOG	5	$109,843	$ 7,689	$ 7,800	$ 12,480	$ -	$ 137,812	15%
SRTA	8	$ 100,526	$ -	$ 6,628	$ 3,960	$ 8,750	$ 119,864	
Average maximum comp:		$ 136,664	$ 4,082	$ 7,800	$ 12,480	$ 4,968	$ 168,800	41%
Local Comparison								
Redding		$ 130,284	$ 9,120	$ 7,800	$ 12,480	$ 29,783	$ 189,467	58%
Shasta County		$134,076	$ -	$ 7,800	$ 3,960	$ 8,750	$ 154,586	29%
COR/County Avg.		$ 132,180	$ 4,560	$ 7,800	$ 8,220	$ 19,266	$ 172,026	44%





EXECUTIVE DIRECTOR COMPENSATION COMPARISONS

Cell: I5
Comment: Dan Little:
Does not compare dental and vision which is 100% covered in ALL regions and 50% covered for SRTA Executive Director. (Not included in this comparison)

Cell: K5
Comment: Dan Little:
SRTA and Shasta County require employee $1 for $1 match. Others do not require a match. SRTA Executive Director has been unable to fully utilize this policy due to FICA alternative. (Not included in this comparison)

Cell: J13
Comment: Dan Little:
Humboldt receives $11,066 in medical instead of insurance. El Dorado, Butte, Placer, Merced and Madera also receive in-lieu payment higher than SRTA. (Not included in this comparison.)

Cell: L13
Comment: Dan Little:
Humboldt is approved for 17% in scheduled longevity pay (not included in this comparison).

Cell: I14
Comment: Dan Little:
Available but employee does not participate and instead receives $3,600 annual in-lieu payment. (Not included in this comparison)

Cell: L14
Comment: Dan Little:
Actual total compensation for SRTA is approximately $10,000 less; employee does not participate in medical and cannot yet fully participate in deferred comp. (Not included in this comparison.)

Cell: K18
Comment: Dan Little:
PARS: City of Redding currently 22.8% of Salary

Cell: B19
Comment: Dan Little:
Directors of Planning Departments used for comparison purposes --most similar duties and required experience except the SRTA Executive Director also must act as the director of personnel, finance, and CEO to board of directors.

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Daniel S. Little, Executive Director

DATE: October 18, 2013

TO: Shasta Regional Transportation Agency Board of Directors

FROM: Shasta Regional Transportation Agency Labor Subcommittee
SRTA Chair Greg Watkins
SRTA Vice-Chair Susie Baugh
SRTA Board of Director Leonard Moty

SUBJECT: Labor Subcommittee Recommendation: Executive Director Compensation

Based on yesterday's memorandum to the SRTA Board of Directors, the SRTA Labor Subcommittee recommends a two-step process to adjust the executive director's salary. Collectively, these increases would result in total compensation over time that is near the average for the comparable agencies.

Step 1: Adjust the executive director's salary based on added demands now placed on the position while taking into account the resultant operational efficiencies and savings currently enjoyed by the agency. Such an approach is consistent with the board of directors' December 2012 action to upgrade the SRTA accounting position.

> <u>Labor Subcommittee Recommendation:</u> The SRTA board previously approved a 35% pay increase for the upgraded chief fiscal officer position due to added duties and responsibilities. Although the added duties placed upon the executive director are considerably more complex, **the Labor Subcommittee recommends a 22% salary increase ($100,526 annually to $122,642).**

Step 2: Grant the same salary increases to the executive director that were granted to all subordinate staff this past June. (Approved reductions in medical benefits would also apply.)

> <u>Labor Subcommittee Recommendation:</u> In addition to Step 1 above, approve the same increases applicable to subordinate staff in the following manner:

1. Apply the 5% longevity increase applicable after 10 years of service. The executive director has been with the agency for over 20 years.
2. Beginning with the 2014 evaluation, performance-based pay increases may be considered (within a range of 0% to 5%) consistent with policies applicable to subordinate staff.
3. Apply the 5% increases applicable to all other staff on July 1, 2013, 2014 and 2015, except the July 1, 2013 increase shall be effective on the date of this agreement; it will not be retroactive.

Total annual compensation effective immediately: $135,212

Suggested Employment Agreement Language:

Section 3 (Compensation) is hereby deleted and replaced in its entirety with the following:

3. Compensation – The Executive Director shall be paid compensation in the amount of $10,220.14 monthly. The Executive Director shall receive his paycheck at the same time and in the same manner as regular SRTA employees.

In addition, the Executive Director shall be eligible for salary increases consistent with those previously approved by the Board in June 2013 for subordinate staff, including the following:

1. A 5% longevity increase after 10 years of service.
2. Beginning with the 2014 evaluation, performance-based pay increases may be considered (within a range of 0% to 5%) consistent with policies applicable to subordinate staff.
3. 5% increases effective July 1, 2013, 2014 and 2015, except the July 1, 2013 increase shall be effective on the date of this amended agreement; it shall not be retroactive.

Attachment: Labor Subcommittee Recommendation: Executive Director Compensation Comparisons

LABOR SUBCOMMITTE RECOMMENDATION: EXECUTIVE DIRECTOR COMPENSATION COMPARISONS

Agency	# of Staff	Executive Director: Salary (max)	CalPERS or Alternative (Employer Paid Employee Share)	Employer Paid Medical (employee only)	Additional Employer Paid Medical if Full Family	Deferred Comp Match (457)	Total Max Comp. (excludes payroll taxes)	% Over SRTA
Placer TPA	7	$ 166,540	$ 11,658	$ 7,800	$ 12,480	$ 11,109	$ 209,586	36%
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Tulare COG	18	$ 135,200	$ 9,464	$ 7,800	$ 12,480	$ 12,000	$ 176,944	14%
El Dorado CTC	6	$ 150,000	$ -	$ 7,800	$ 12,480	$ -	$ 170,280	10%
Merced CAG	19	$ 142,391	$ -	$ 7,800	$ 12,480	$ 4,129	$ 166,800	8%
Madera CTC	7	$ 126,413	$ -	$ 7,800	$ 12,480	$ 3,666	$ 150,359	-3%
Kings CAG	5	$ 112,625	$ 4,505	$ 7,800	$ 12,480	$ 2,500	$ 150,000	-3%
Humboldt CAOG	5	$ 109,843	$ 7,689	$ 7,800	$ 12,480	$ -	$ 137,812	-11%
SRTA	8	$ 135,212	$ -	$ 6,628	$ 3,960	$ 8,750	$ 154,550	
Average maximum comp:		$ 136,664	$ 4,082	$ 7,800	$ 12,480	$ 4,968	$ 168,800	9%
Local Comparison								
Redding		$ 130,284	$ 9,120	$ 7,800	$ 12,480	$ 29,783	$ 189,467	23%
Shasta County		$ 134,076	$ -	$ 7,800	$ 3,960	$ 8,750	$ 154,586	0%
COR/County Avg.		$ 132,180	$ 4,560	$ 7,800	$ 8,220	$ 19,266	$ 172,026	11%